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NOTES AND MEMORANDA.

THE FRENCH METHOD OF CONTROLLING RAILWAY RATES.

The railway policy of France is based on the view that railways should be exploited, not by the State, but by strong independent companies under strict government control. National purchase has again and again been considered, but has always been rejected. When last it was proposed in the French Parliament that the State should buy out four of the large railway companies, one hundred Chambers of Commerce voted against, and one only for, the proposal. While the companies are encouraged to earn large profits,¹ they are never allowed to compete with one another, or to invade one another's territory, and their arrangements for sharing traffic or earnings constantly receive official sanction. The State has refrained from dictating their tariffs, and confined itself to exercising a veto over those which they propose. Under the Railway Conventions of 1883, as under those of 1859, the government has no power either to fix or to alter rates. The proposal of a rate must emanate from one of the companies, but before taking effect it has to be approved by the Minister of Public Works.

The official machinery by which this control over rates is exercised consists of three parts: a salaried corps of expert officials for gathering information; a large non-salaried committee made up of high officials, members of the legislature, and representatives of the business community, to give advice based on that information; and, lastly, the Minister who acts on that advice.

¹ M. Pelletan, in his report of May 12, 1889, pointed out that French railway shares paid from 10 to 24 per cent. of their original cost; since then there have been some increases in dividends.

The permanent officials who investigate and report on all questions concerning rates number 68, and cost the State 400,000 francs a year; that is, 10 francs for each kilometre of railway at present in operation.¹ Of this amount 258,500 francs represent the salaries of the chief experts, 32 in number.² At their head, receiving 20,200 francs a year, is the Director of Commercial Supervision (*Directeur du Contrôle Commercial*), who studies the tariffs and commercial workings of all the French companies. Under his orders are the General Supervisors of Commercial Exploitation (*Contrôleurs Généraux de l'Exploitation Commerciale*), each of whom has similar duties in respect to a single railway, receives 11,400 francs a year, and is assisted in his work by one Principal Inspector and several Special Inspectors. To each railway is assigned one Principal Inspector (*Inspecteur Principal*) of Commercial Exploitation, receiving 8,000 francs a year, and from three to five Special Inspectors (*Inspecteurs Particuliers*), each of whom receives from 6,500 to 5,500 francs a year. These inspectors are all under the orders of the General Supervisor in charge of that particular railway.

There is at the Ministry of Public Works a bureau of Railway Direction, one of the divisions of which investigates tariffs and charges, and the head of which is known as the Director of Railways (*Directeur des Chemins de Fer*). This high official acts as counsellor to the Minister on all points connected with railway administration.

But the Minister's chief adviser is the Consultative Committee of Railways (*Comité Consultatif des Chemins de Fer*) over which he presides, and which examines questions of rates as well as all others affecting the relations between the railway companies and the State. The organization of this Committee has been several times changed. In its present form, which dates from 1898, it has 100 unpaid

¹ The 40,000 kilometres "of general interest" are alone to be counted, since tariffs of local lines are, as a rule, passed upon by the prefects of the several departments.

² M. Sibille's Report on Budget of 1905 (*Ch. des Députés*, No. 1962), pp. 148, 183.

members, 10 *ex officio* and 90 appointed for two years by the President of the Republic. The present membership consists of 36 government officials (6 *ex officio*), 34 members of the legislature (4 *ex officio*), and 30 men holding no political office. A combination is thus secured of administrative, legislative, and general opinion.

Among the officials are the Director-general of Customs, a brigadier-general on the General Staff, the Directors of Forests, of Agriculture, of Commerce, and of Labor, the Director of Roads, Navigation and Mines, the Director of Commercial Supervision, the Director of Railways, and five other members of the Council of State. Among these last is M. Picard, well known as the author of the two principal works on French railways, who, as vice-chairman, presides over the Committee in the absence of the Minister; while M. Colson, another member, is almost equally well known for his book, *Transports et Tarifs*, and for the articles on Transportation which he contributes to the *Revue Politique et Parlementaire*. Both these officials have heretofore filled the post of Director of Railways.

Among the Deputies MM. Baudin, Barthou, Bourrat, and Sibille, and among the Senators M. Waddington, are specially conversant with railway problems, the first two being ex-Ministers of Public Works, and the three others having written elaborate reports on various railway questions.

In the general group we find twelve presidents or members of Chambers of Commerce (Paris, Lille, Havre, Lyons, Bordeaux, and Marseilles being among the cities represented), six presidents or members of national Agricultural Societies, two workingmen, the Governor of the Bank of France, seven business men or civil engineers, two of whom represent internal navigation, one judge, and one representative of the International Railway Congress. This last member, M. Griolet, is also vice-chairman of the Railway du Nord, and is the only railway official belonging to the Consultative Committee.¹

¹ For further particulars see J. De la Ruelle, *Contrôle des Chemins de Fer* (Paris, 1903), p. 218, and for the names of present members see *Annuaire du Min. des Travaux Publics*, 1905, p. 34.

General meetings of the Committee are seldom held, most of its business being transacted by its "permanent section," a sub-committee of 40 members (4 *ex officio*, 36 annually chosen by the Minister), which meets at least once a week. This "section" comprises twelve Senators and Deputies, six representatives of commerce, industry, and agriculture, three civil engineers, two workingmen, and the member of the Railway Congress, besides sixteen of the government officials. Matters of importance may be referred to the whole Consultative Committee by the Minister, or by the Vice-President either on his own initiative or upon the request of five members of the "section."

When a company wishes to introduce a new rate or to change an old one, the regular procedure is the following. The text of the proposed rate must be posted up or otherwise advertised in the company's stations, and sent to the Minister of Public Works, to the Director of Commercial Supervision, to the Prefects of departments, and to the Chambers of Commerce of districts affected by the rate. The Chambers of Commerce and the Prefects are expected to forward to the Minister in writing any protests or comments which they may wish to make.

The proposal is then carefully examined by the General Supervisor of Commercial Exploitation in charge of the railway proposing the rate, whose duty it is to report thereon. In this task he is assisted by the Principal Inspector and the several Special Inspectors of the railway in question. These officials are instructed personally to inform themselves as to the needs of trade and the views and wishes of business men. Having done so, they prepare a written report, which must embody "a thorough discussion of the prices proposed, and a comparison between them and other tariffs in force on the French railways at the various shipping points with which this traffic competes."¹ The report is submitted to the Director of Commercial Supervision, who transmits it with or without revision to the Minister of Public Works. As soon as these documents reach the

¹ Ministerial Circular of July 16, 1880.

Minister he lays them before the Consultative Committee. If this Committee makes a favorable report, the Minister approves the rate, and it usually goes into effect within fifteen days from that date. Thus on March 25, 1904, a proposed addition to one of the special tariffs of the Railway de l'Ouest was duly advertised. It was officially approved on the 11th, and took effect on the 26th of April, 1904.¹ No rate can become operative until one month after having been advertised. In order to keep the public fully informed, the text of the proposal and that of the ministerial approval are published in the *Journal Officiel*.

The ministerial sanction given to any rate may be withdrawn at any time, and, in accepting a rate proposed, the Minister may attach to his approval certain conditions to which the company must assent before the rate can take effect. A passenger rate cannot be increased till it has been in force three months, nor a freight rate till it has been in force one year.

The interval between the proposal and the approval of a rate, which is normally one month, is sometimes a great deal longer. Should it, however, be necessary to put a rate into immediate effect, the Minister often grants a provisional "homologation," whereby the rate becomes at once available pending its formal consideration and approval.

The French tariffs that have been thus approved are published in the two large folio volumes of the *Recueil Chaux*, a revised edition of which is issued quarterly. The edition bearing date July, 1905, but not actually issued till last September, has 1,712 pages in the volume containing the tariffs for slow freight, and 980 pages in that containing the rates for fast freight and passengers. These manuals would be less bulky if they embodied only the tariffs of the large companies, but they also include the rates of all the light railways, narrow-gauge lines, and tramways throughout France. In the intervals between the editions of this work newly approved rates are published in a special weekly bulletin, as well as in the *Journal Officiel*. Thus the author-

¹ *Journal Officiel*, April 3 and 25, 1904.

ized railway tariffs are at all times readily accessible to the French public.

Since the French regard railway tarification from a commercial standpoint, their tariffs, like those of England and the United States, are based on the so-called "value" system, which consists in charging such rates as the traffic will bear. Their system of classification would take too long to explain. Suffice it to say that, in compliance with the demands made by the government in 1879, the classification and description of freight was made uniform on all the French railways by their reformed tariffs approved between August, 1884, and December, 1890. At the same time the number of reduced tariffs and special rates was much cut down, and the *Recueil Chaix* considerably simplified. Since those reforms, however, the large family of special rates has continued to multiply, under the pressure of commercial needs, though the Consultative Committee is on principle opposed to them, and seeks, whenever possible, to procure in their stead reduced kilometric scales of rates drawn up on the Belgian differential plan, and applicable in any direction and on any line of the given railway.

In sanctioning a special rate, the Committee almost always insists, as a condition of approval, that intermediate stations shall also be entitled to it, and that a special rate, say from Toulouse to Orleans, shall be enjoyed as far as Orleans by goods shipped from Toulouse to points beyond Orleans.

The Minister of Public Works having no power to fix rates, the principal function of the Consultative Committee is to check unjust, discriminating, or capricious tarification, and thus by degrees to produce throughout France an equitable system of rates. It often suggests to the companies what changes it deems desirable, and, though it can only suggest, yet the possession of its veto often enables it, when granting one of the companies' requests, to gain its own point as a *quid pro quo*. This influence is all the stronger because the authority vested in the Minister, and through him in the Consultative Committee, covers not only

the commercial (*i.e.*, rate-making), but also the technical and financial¹ sides of railway administration.²

The Committee always declines to indorse any special rate savoring of undue preference or discrimination; for instance, a rate in favor of goods produced by a particular factory or of materials ordered by a particular contractor. It also rejects any rate calculated to draw away traffic from any other French railway or to ruin the business of coasting steamers or canal boats. Thus in April, 1899, a special rate of 15 francs on mineral waters shipped to Paris was requested by the P.-L.-M. Company. This rate was approved in April, 1900, but, the canal men of Roanne having pointed out that it was ruining them, the approval was withdrawn on August 24, 1901.

The Committee endeavors to adjust the tariffs enjoyed by competing industrial centres in such a way as to secure to each the natural advantages of its location. If, however, a particular place or industry has long had the benefit of certain special rates, and has thus acquired a *quasi*-vested right to them, the Committee will not allow them to be abolished without stipulating that they shall be re-established, "if within a year their disappearance gives rise to well-founded complaints."

A good illustration of the manner in which the Committee may obtain concessions from the companies is furnished by the negotiations leading up to the approval on October 27, 1900, of the new tariff of Accessory Charges (*Frais Accessoires*). The companies had for twenty-five years been urging that the registration fee for luggage should be raised to 15 centimes, while the Committee still insisted on maintaining it at 10 centimes. The Committee also wished that the companies should guarantee to the consignor of freight using the lines of several companies the route offering the

¹ *e.g.*, No railway company can issue bonds without the assent of the Consultative Committee and of the Minister.

² "It is clearly to the companies' interest not to offend an authority on which they are in so many ways dependent. A different system of administration, interfering only in commercial matters, would be far from having the same influence." Colson, *Transports et Tarifs*, 1898, p. 350.

cheapest combination of rates, even when not demanded by him, as they had been doing since 1883 for the consignor of freight using the lines of a single company. The companies, on the other hand, had been anxious to suppress certain special rates affecting about 1,350 kinds of freight. The matter was settled by a compromise, in which the companies waived their claim for the 15-centime registration fee, and consented to guarantee the cheapest route in the manner mentioned, while the Committee advised the Minister to sanction the suppression of the special rates on the ground that they were practically obsolete.¹

In Algeria and in the Regency of Tunis the service of commercial supervision has been organized in a manner practically identical with that above described, and proposals of rates are referred either to the Minister of Public Works in Paris or to the Resident-general in Tunis. This latter personage is assisted by a consultative committee of eight or ten members most of whom are officials connected with the administration of the Regency.

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¹ *Arrêté du* 27 Oct. 1900. *Impr. Nat.*, 1902.